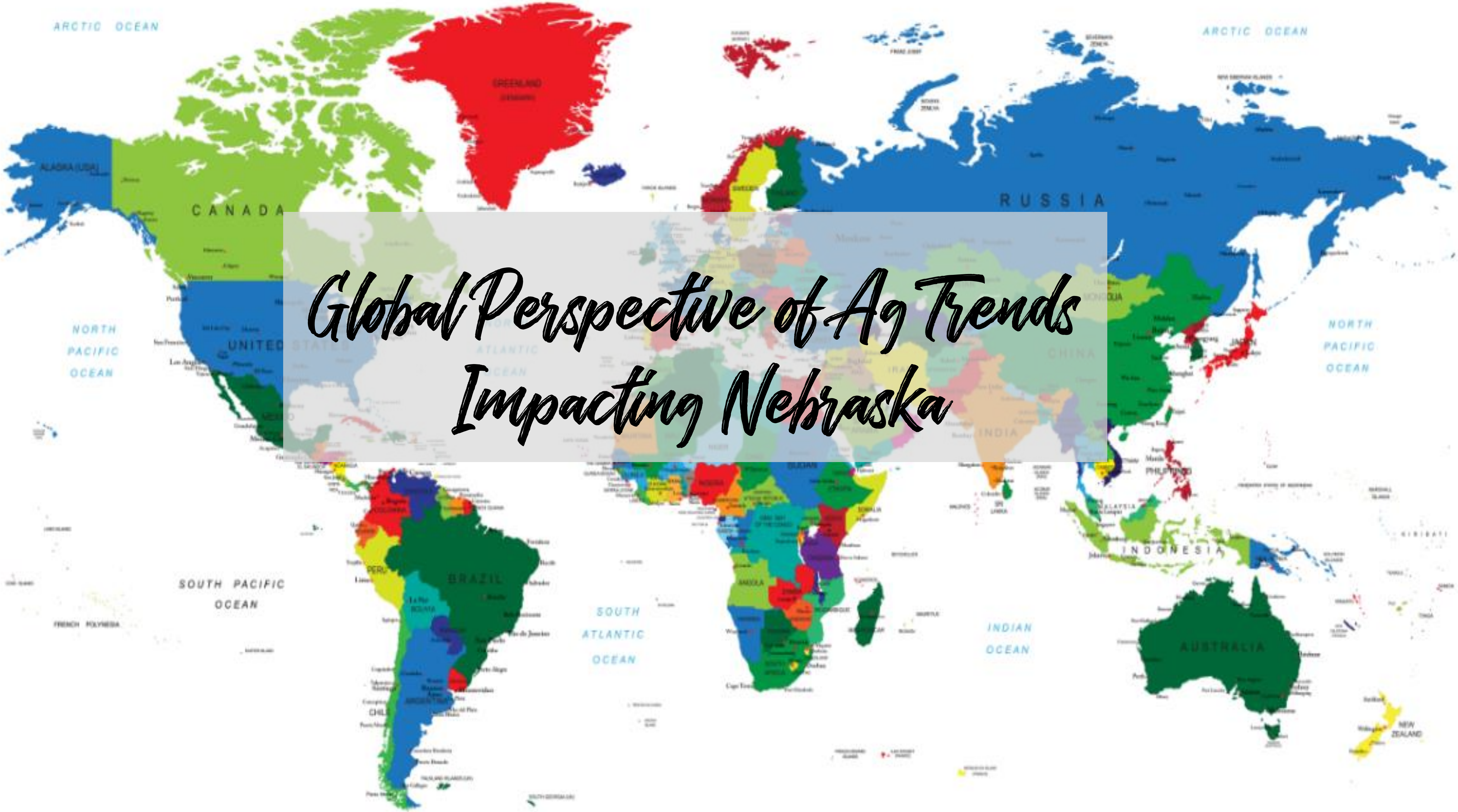
Global Perspective of Ag Trends Impacting Nebraska



Tariffs Are A Concern for All Farmers

The most obvious impact of the tariffs in Nebraska was on the state’s agricultural economy.

The Nebraska Farm Bureau estimated the trade war cost Nebraska farmers between $695 million and $1 billion, which translates to the overall hit to the state’s economy of up to $1.2 billion.

Tariffs

U.S. beef is being hit with retaliatory tariffs by Canada and China, which will raise prices to importers and send them shopping else where. Import tariffs on U.S. beef to Canada and China are top of mind for the U.S. beef industry.

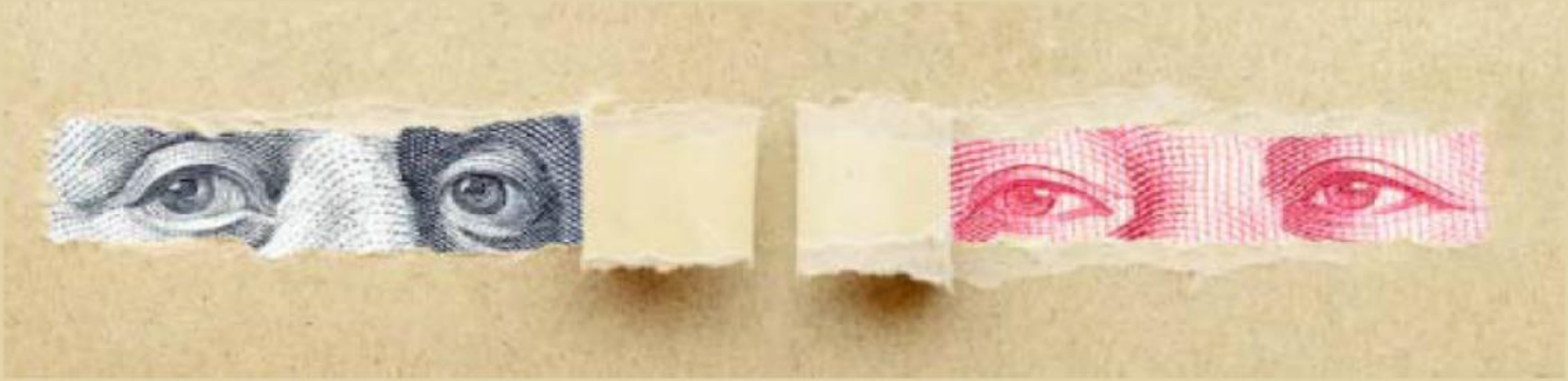
Canadian Tariffs

Canada implemented a 10 percent tariff on some U.S. beef products on July 1 after the U.S. moved ahead with tariffs on U.S. imports of Canadian steel and aluminum.

“Unfortunately, we are the direct victims of trade retaliation,” Kent Bacus, director of international trade and market access for National Cattlemen’s Beef Association, said in the Beltway Beef podcast on Thursday.

Tariffs on Beef

Across the globe, China raised its 12 percent import tariff on U.S. beef to 37 percent on July 6. The tariff comes as the U.S. is just starting to make inroads into China's grain-finished beef market after being banned for 13 years.



Chinese Market

It's a small market, but U.S. beef was doing a good job in taking market share from competitors. U.S. exports grew at a steady pace from zero sales to $30 million in sales in just six months.

Sales were Forecasted to Grow

The U.S. Meat Export Federation was forecasting those sales to grow to \$70 million in 2018 and reach up to \$400 million in three or four years. Without those restrictions, USMEF projects U.S. beef exports to China could reach \$4 billion annually in the next five years

Come to an Agreement

"We need our country and the Chinese government to come and find a way that both of our economies can mutually benefit in the long-term because the future of our economies are intertwined. … We are two of the biggest economies in the world," Kent Bacus, director of international trade and market access for National Cattlemen's Beef Association said.

Trade Summit

The United States and China are pushing for a summit meeting in late April to complete a trade deal, while negotiators are still grappling over its terms and how they should be enforced.

Why are We In a Trade War?

In July of 2018 the **Trump administration imposed sweeping tariffs** on $34 billion worth of Chinese goods, including flat-screen televisions, aircraft parts, and medical devices. The goods marked for tariffs face a punishing 25 percent border tax when they're imported into the US.

The point is to punish China by making Chinese products more expensive for American consumers and businesses to buy. If Chinese products suddenly become more expensive, they'll buy those same products from somewhere else, and Chinese businesses will lose money.

China **immediately accused** the US of starting "the largest trade war in economic history to date" and responded by **imposing 25 percent tariffs** on $34 billion worth of US goods, including soybeans, automobiles, and lobsters.

Damaging the Industry they were Intended to Protect

In March, a report commissioned by the nation's biggest business lobbying group showed that the Trump administration's tariffs are actually damaging an industry the levies were intended to protect. The report, by the U.S. Chamber of Commerce and the Rhodium Group, a research firm, said that Mr. Trump's tariffs on $250 billion worth of Chinese goods were eroding the competitiveness of the America information technology sector — including companies that manufacture computers, electronics and telecom equipment, as well as provide services like cloud computing, computer-aided design and customer relations.

The report estimated that the tariffs, if they remain in place, would reduce United States gross domestic product by at least $1 trillion within 10 years. The American G.D.P. was about $20.5 trillion in 2018.

Highest Trade Deficit in Goods

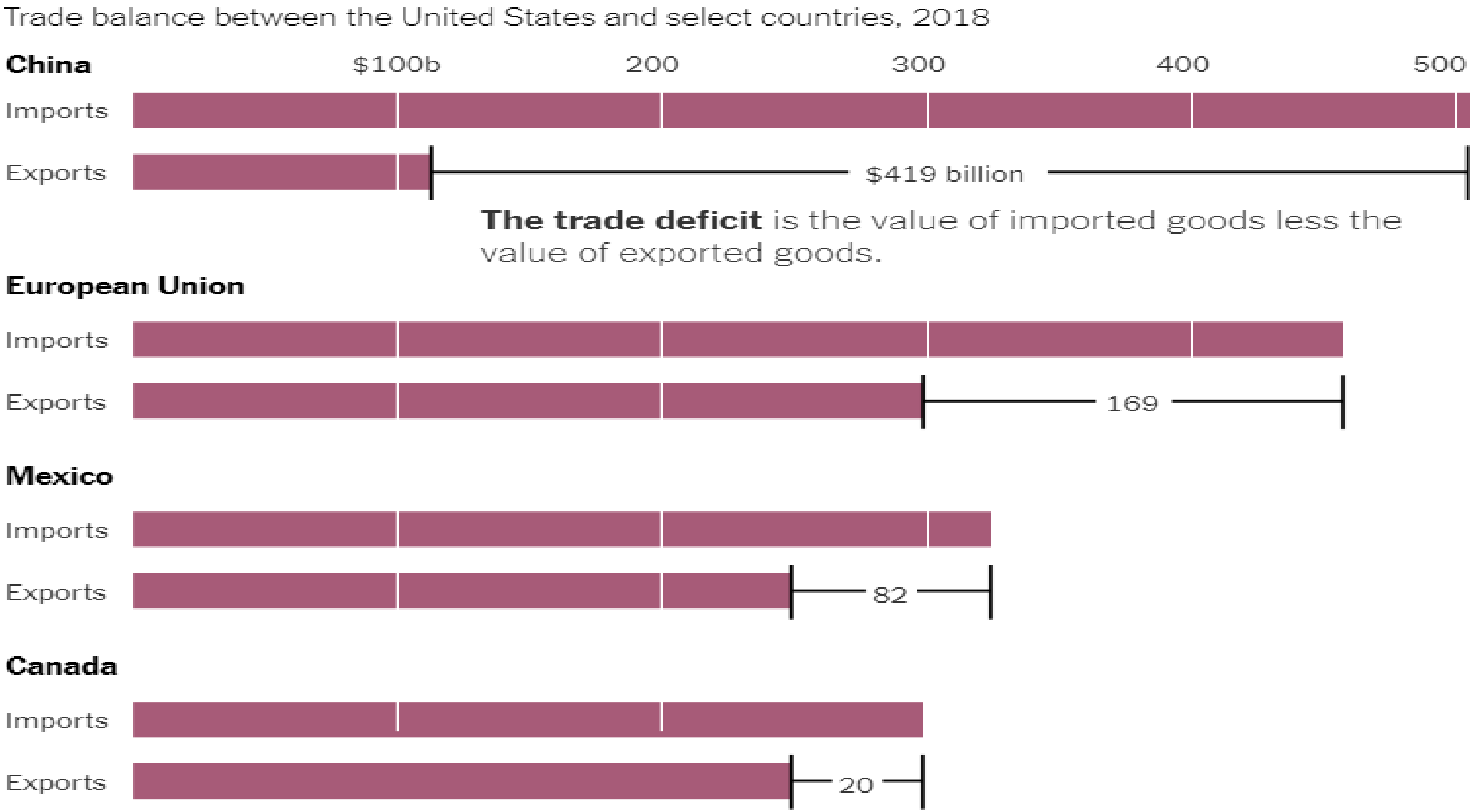
America's trade deficit in goods with the rest of the world rose to its highest level in history last year as the United States imported a record number of products, including from China, widening the deficit to $891.3 billion and delivering a setback to President Trump's goal of narrowing that gap.

Trade Deficit Grows

In a year in which Mr. Trump imposed tariffs on steel, aluminum, washing machines, solar panels and a variety of Chinese goods, the overall trade deficit grew 12.5 percent from 2017, or nearly $70 billion, to $621 billion, the Commerce Department said. Although the United States recorded a trade surplus in services, the trade deficit in goods with the European Union and Mexico grew more than 10 percent as imports rose faster than exports.

Economic Factors

Several global economic factors explain the widening of the deficit last year. China's slowdown has reduced consumer appetite for American goods, as has slowing growth in Europe. The strength of the dollar in global currency markets has made it cheaper for American consumers to buy foreign-made goods, and more difficult for foreign customers to buy American-made ones.



Note: Figures are not seasonally adjusted | Source: The United States Bureau of Economic Analysis • By The New York Times

No Reason to Be Alarmed

"The stronger trade deficit in the short run is telling you we're importing more, so it's not a particular alarming development," said Lawrence H. Summers, a Harvard economist who directed the National Economic Council under President Barack Obama. "I'd rather live in a country that capital is trying to get into, rather than get out of. The reason we have a trade deficit is people are investing in America."

Budget Deficit

As with the trade deficit, many economists are growing less alarmed by the budget deficit than in previous years. However, Federal Reserve officials and some economists warn that federal borrowing is growing too quickly and will ultimately swamp the American economy, with the United States paying huge sums of interest on the debt, diverting funds from social safety net programs like Medicare and Social Security. The Fed chairman, Jerome H. Powell, warned lawmakers at a House hearing last week that the federal debt was on an “unsustainable” path.

Survey From Economists

A survey from economists at the Federal Reserve Bank of Atlanta, the University of Chicago and Stanford University in January concluded that tariffs reduced business investment in the United States by 1.2 percent — or $32.5 billion — in 2018.

Worth It

That price might be worth it, business groups and China analysts say, if the administration makes a deal that substantively transforms Chinese industrial policy and gives American companies fair and reciprocal access to the Chinese market.

“We oppose the use of tariffs, period,” said Myron Brilliant, the executive vice president and head of international affairs at the U.S. Chamber of Commerce. “But we are at the same time supportive of this administration trying to get a deal that is not just consequential for today but will have lasting impact on the relationship and put the U.S.-China relationship on a better track.”

New Tariffs on EU

The United States and the European Union are preparing to impose tit-for-tat tariffs on each other's products, the latest escalation in a 14-year fight over government aid given to Boeing and European rival Airbus.

Retaliation for Subsidies to Airbus

"The World Trade Organization finds that the European Union subsidies to Airbus has adversely impacted the United States, which will now put Tariffs on $11 Billion of E.U. products!" President Trump said in a tweet on Tuesday morning. "The E.U. has taken advantage of the U.S. on trade for many years. It will soon stop!"

The United States Trade Representative said on Monday night that it was preparing a list of European products to tax as retaliation for European subsidies to Airbus, which the World Trade Organization ruled were illegal in May 2018. That prompted the European Union to announce that it was also readying a list of tariffs to counter American subsidies to Boeing.

Tariffs from the EU

In a statement, Airbus called the American tariff announcement “totally unjustified” and said that the European Union would take “far larger countermeasures against the U.S.”

Mr. Rosario said that the commission, the European Union’s administrative arm, will ask W.T.O. arbitrators to authorize retaliatory measures, which would be in response to a W.T.O. finding last month that Boeing received tax breaks in Washington state and incentives in South Carolina that amounted to subsidies.

The European Commission has begun drawing up a list of products that would be covered by retaliatory tariffs, but is awaiting a W.T.O. decision before specifying which products would be targeted and how much trade they would encompass.

No Worse Time

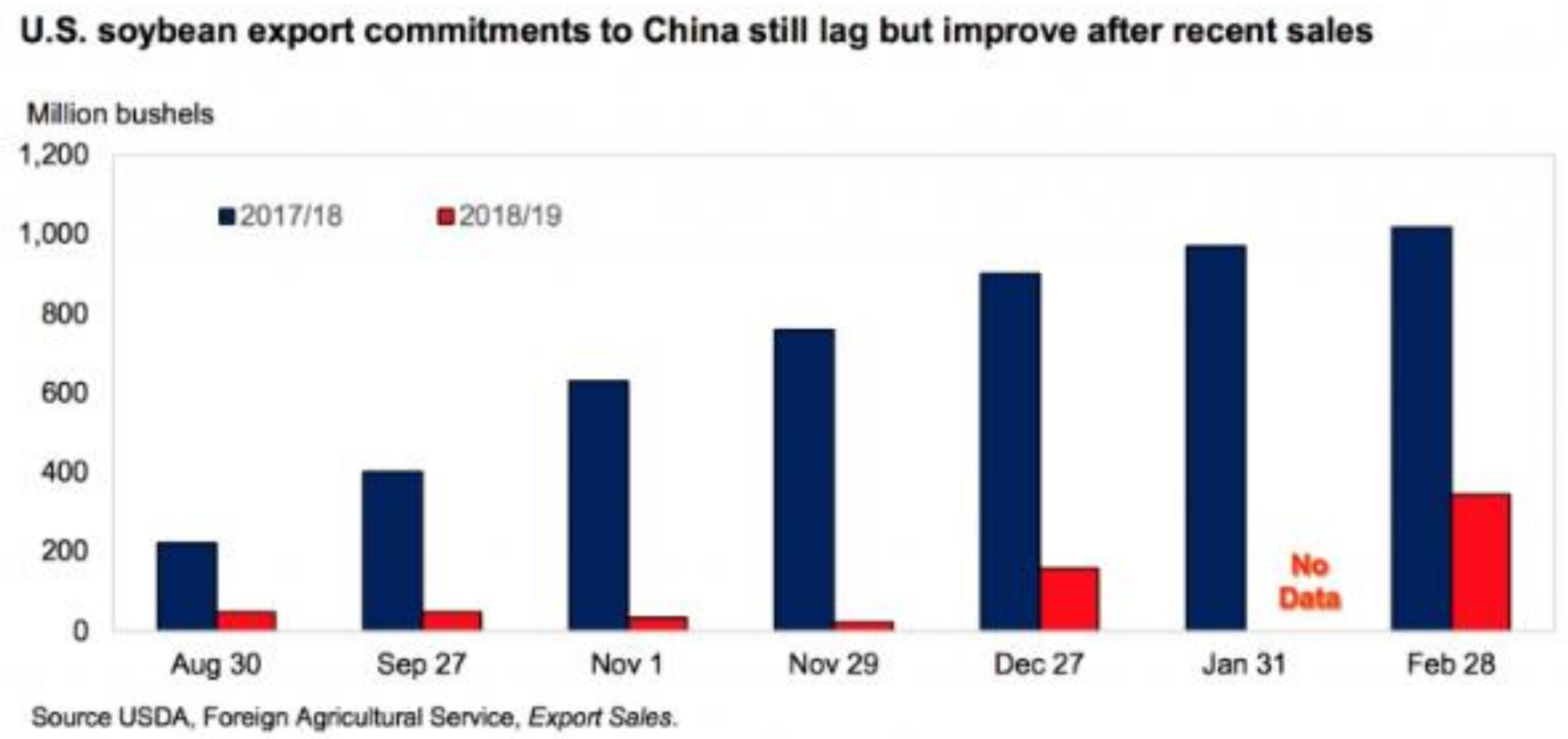
The trade war almost couldn’t have come at a worse time for the agricultural industry: Farm debt is on the rise, farm income is in a three-year trough, and the American Farm Bureau Federation’s chief economist said last month that many farmers are dependent on off-farm income to keep their operations running. But farmers can’t push pause on their crops to try to wait out the trade war—they’re at the beck and call of the planting and harvesting seasons.

Raising Prices on Equipment

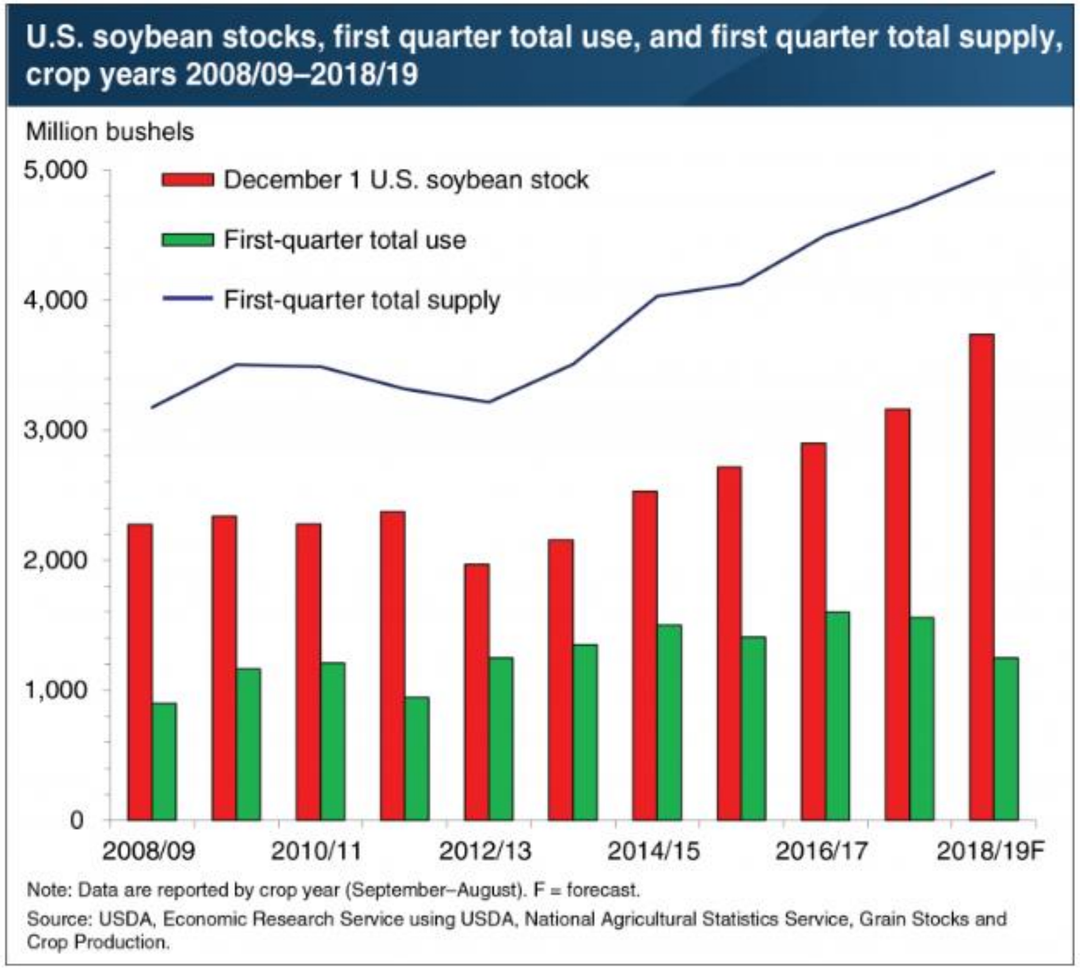
Some large equipment manufacturers, including John Deere and Caterpillar, announced almost immediately after the tariffs were implemented last summer that they would raise their prices to adjust for the higher price of steel and aluminum imports. It's not just large manufacturers, though—small, locally based equipment manufacturers have also had to raise prices or look elsewhere for steel. In Montana, a horse-trailer manufacturer was forced to hike prices by about 20 percent last summer because of the tariffs. Bank of America Merrill Lynch downgraded John Deere's stock in February, citing "a real risk to farm equipment demand" if the trade war continues.

Can Not Affort to Make Repairs

Many farmers are precluded from buying new agricultural equipment because of a combination of higher prices and lower profits. But that puts them in a catch-22. Farmers replace their equipment only every five to seven years. Those who were going to replace it this year and now can’t afford to are forced to repair it instead. And because steel costs are up, so too are the costs of replacement parts.



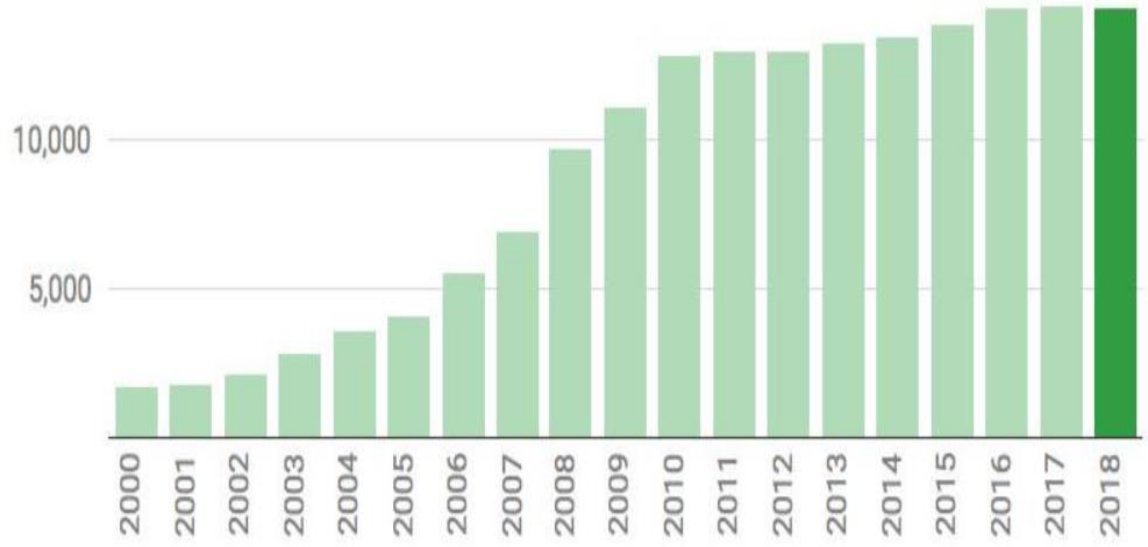
Mark Ash and Mariana Matias, Oil Crops Outlook, OCS-19c, U.S. Department of Agriculture, Economic Research Service, March 12, 2019.



"USDA's latest Grain Stocks report indicates that U.S. soybean stocks were at an all-time high of 3.736 billion bushels in December 2018 as the first-quarter of the 2018/19 crop year (September–August) ended...The deficit is primarily related to the steep decline in trade with China, despite a few recent sales to state-owned companies there." (December U.S. soybean stocks climbed to a record high in 2018, USDA-ERS (March 14, 2019)).

Ethanol consumption falls

Domestic ethanol consumption fell slightly in 2018, the first decrease in two decades.



U.S. domestic ethanol consumption (in millions of gallons)

Chart: Jim Foster, Star Tribune

• Source: Renewable Fuels Association and U.S. Energy Information Administration • Get the data

Tariffs on All Agricultural and Food Categories

China’s Retaliatory Tariffs China has levied retaliatory tariffs of 5%, 10%, 15%, 20%, and 25%—or a combination of those amounts—of the value of the exported product on more than 800 U.S. food and agricultural products. The first retaliatory tariffs, which were in response to the Section 232 tariffs, went into effect on April 2, 2018, and were applied to about 90 food and agricultural products. China applied tariffs to more than 500 additional food and agricultural products, including soybeans, on July 6, 2018, in response to the Section 301 tariffs. On September 24, retaliatory tariffs were levied on a third tranche of about 350 additional food and agricultural products following an escalation in Section 301 tariffs by the United States. The products subject to retaliatory tariffs span all agricultural and food categories, including grains, meat and animal product

Income is Down Over the Past Six Years

Farm income has been down five of the six past years, and because of retaliatory tariffs resulting from President Trump’s ongoing trade war, many growers have been unable to sell their crops. In August 2018, the federal government announced a $4.7 billion bailout to farmers in the form of direct payments as a way to mitigate the ongoing blowback from Trump’s trade disputes. But some farmers said temporary payments don’t solve the longterm problem of being locked out of foreign markets including Canada and Mexico. “Producers need trade, not aid,” said some soybean growers especially hurt by trade uncertainty with China.

Pork Industry

The pork industry has been hit particularly hard by President Donald Trump’s nearly year-long trade wars with China, Mexico and Canada. While negotiations with North American neighbors have settled, the disrupted trade with China continues to hurt hog farmers across the country.

Pork Bellies and International Markets

About one-fourth of pork products goes to international markets with demand growing in countries with an expanding middle class that can now afford meat. Plus, demand for bacon is so strong that two years ago, the U.S. supply of pork bellies (where bacon comes from) hit a 50-year-low.

Exports Down Already

The tariffs have begun to cut into pork exports already. Exports to China and Hong Kong are down about 40 percent. Fortunately, other markets have taken up the slack, but at lower prices.

Slashing Demand

U.S. pork faces retaliatory duties of 62 percent in China and up to 20 percent in Mexico, slashing demand from two top U.S. pork export markets and contributing to a mountain of unsold meat in cold storage.

African Swine Fever Outbreak

Higher domestic supply and rising imports from other suppliers, such as Spain and Brazil, has compensated for the slide in U.S. pork imports. But an African swine fever outbreak this year has added to the problems of China’s pork producers. More than 40 cases have been reported in 13 provinces so far, and restrictions on hog transportation to control the disease have resulted in a glut in some northern provinces and a shortage in the south.

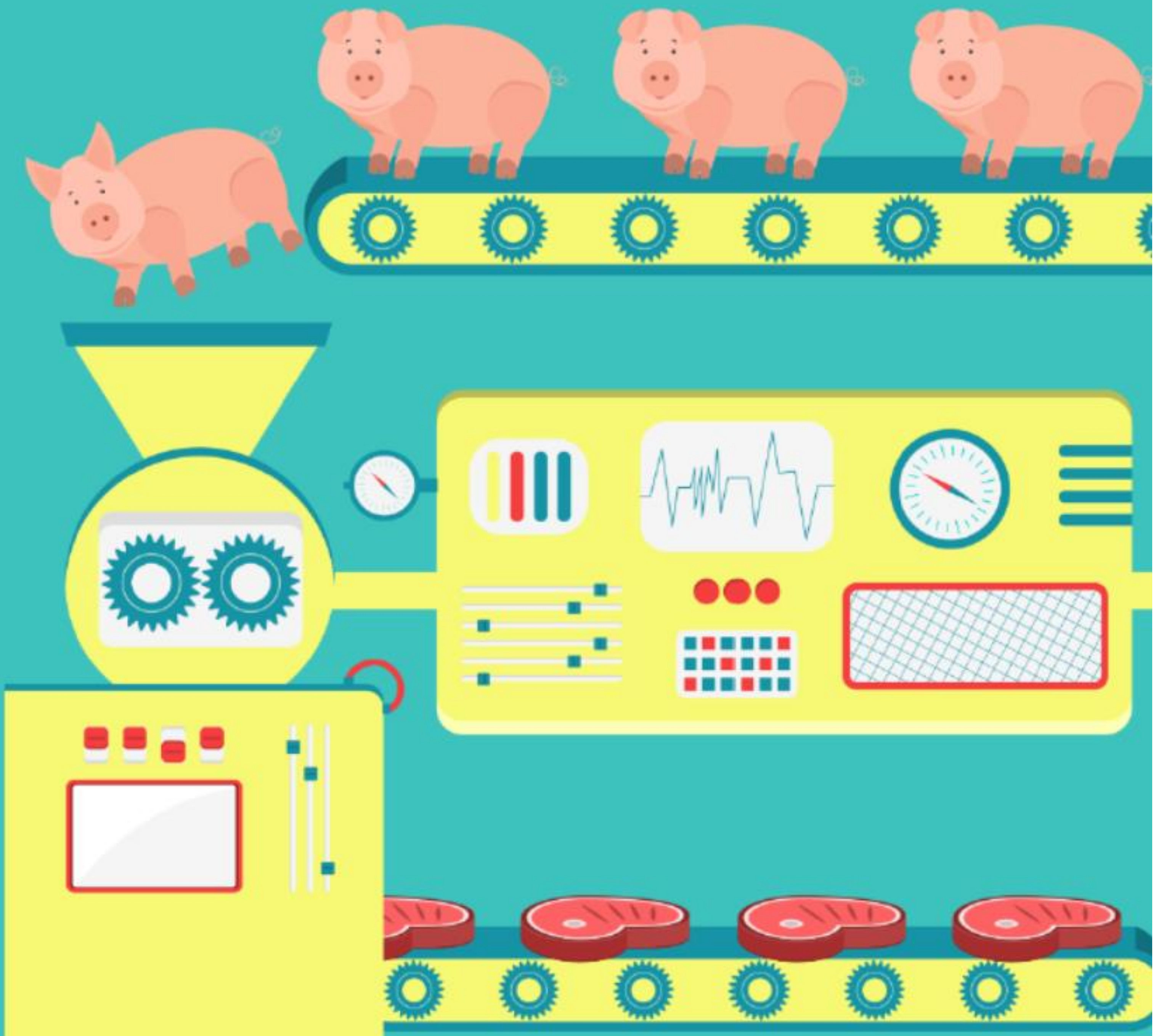
Strong Headwinds

Data shows the meat processing industry faces headwinds when it comes to labor shortages at plants now and in the foreseeable future, but issues such as the impact of retaliatory tariffs on exports and trade conflicts are bigger hurdles for pork than for poultry.

The USDA released a proposed rule in January of 2018 to lift caps on line speeds in meat processing plants, granting individual facilities the power to determine how quickly pork can be processed on site.

Faster Speeds

Currently, pork plants process an average of between 950 and 1,000 hogs per hour; new line speeds could reach an estimated 1,295 hogs per hour, according to test processing facilities in operation since 1997.

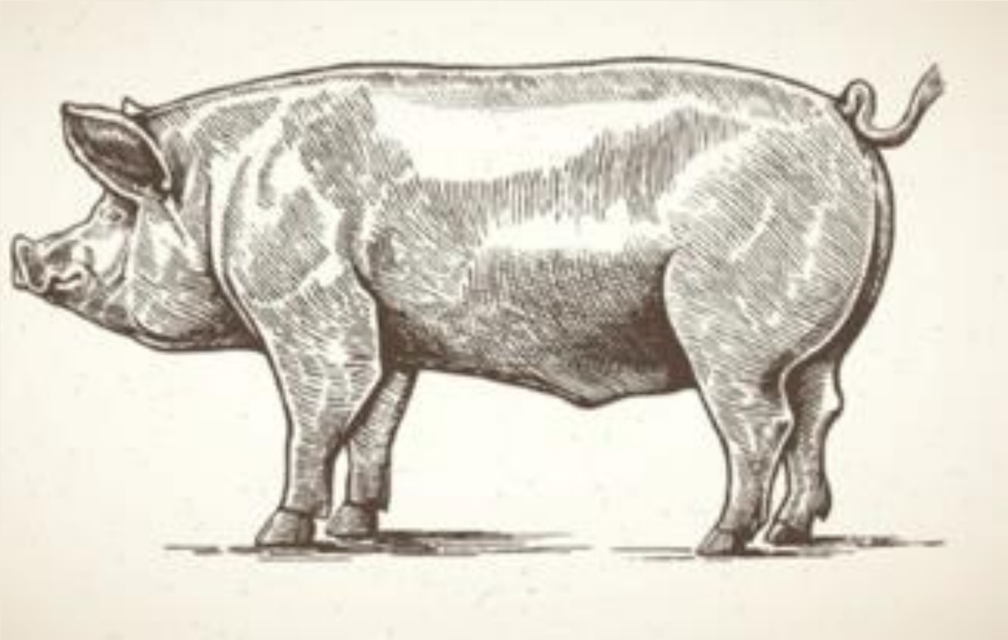


High Incidence of Injury

Worker safety experts reacted to the proposed rule, noting that it would add to the already high risk of food contamination and worker injuries in meat processing plants. Meatpacking workers already experience a risk of injury seventeen times higher than that of other workers nationwide, with high instances of carpal tunnel, tendonitis, and amputations.

No Longer Competitive

"U.S. pork is on three trade retaliation lists (two in China; one in Mexico) that cover approximately 40 percent of total exports," the National Pork Producers Council stated last year. "In China, we face tariffs of more than 70 percent, rendering us non-competitive against domestic producers and other exporters."



USDA Buying Food to Help Farmers

The USDA, in an effort to offset lost foreign markets for pork and other U.S. food, has bought 65 million pounds of U.S. produced meat and rice and 2.1 million cases of fruit, vegetables and nuts between the end of October and early February. Pork products, such as pork chops, ham and canned pork made up 38.5 million pounds of the USDA's purchases.

Still, at $137.5 million, the purchases only amount to 11 percent of the food the agency has promised to buy from U.S. farmers, an analysis by the Midwest Center for Investigative Reporting found.

Not Everyone Wants to Sell

Ted Schroeder, an agriculture economist at Kansas State University, said companies would rather sell their products to grocery stores and restaurants.

Mexico Wants to Add More Tariffs

On March 6, 2019, during a meeting of the Foreign Trade Commission of the Mexican Senate, Luz Maria de la Mora-Sanchez, Foreign Trade Undersecretary of Mexico's Ministry of Economy, announced that the Mexican government is planning to include additional items on its list of U.S. products subject to retaliatory measures, which were originally imposed on June 5, 2018, in response to the U.S. government's imposition of Section 232 tariffs on certain steel and aluminum imports into the United States

Mexico Will Include New Items

According to the undersecretary, Mexican steel and aluminum ex do not pose a threat to U.S. national security under its Section 23 , and these U.S. measures were imposed in violation of World Trade Organization rules and harm both regional integration and the development of several North American supply chains. Although Mexican government efforts are focused on the elimination of the Section 232 tariffs on Mexican steel and aluminum and Mexico's corresponding retaliatory measures, the government of President Andrés Manuel López Obrador is reviewing the list of 71 HTS codes (covering U.S. imports worth approximately $3 billion) currently subject to retaliatory tariffs in order to include new items that could be subject to a 7 to 25 percent ad valorem duty.

Canadian Tariffs

After the U.S. imposed steep tariffs on steel and aluminum imports worldwide, Canada retaliated with their own tariffs, which went into effect on July 1. The tariffs affect $12.8 billion worth of American goods, including foodstuffs such as coffee, whiskey, candy, orange juice, yogurt, and condiments.

- Coffee (not decaf): 10%
- Maple sugar and maple syrup: 10%
- Candy, including licorice, toffee, and chocolate bars: 10%
- Pizza: 10%
- Cucumbers and gherkins: 10%
- Strawberry jam: 10%
- Orange juice (fresh, not frozen): 20%
- Soy sauce: 10%
- Ketchup and other tomato sauces: 10%
- Mayonnaise and salad dressing: 10%
- Quiche: 10%
- Other condiments, seasonings, and sauces: 10%
- Soups and broths: 10%
- Water, including mineral, carbonated, and flavored: 10%
- Dairy
- Whiskey

European Union

Following the American tariffs on steel and aluminum imports from countries across the globe, the EU struck back by introducing tariffs on $3.3 billion worth of U.S. goods in late June. Some of the products on the EU’s tariff list seem to have been chosen for their symbolism, rather than for their potential economic impact: Peanut butter, for instance, is a quintessentially American product that never found much of a fan base in Europe.

- Corn: 25%
- Kidney beans: 25%
- Rice: 25%
- Peanut butter: 25%
- Orange juice: 25%
- Cranberries: 25%
- Whiskey and bourbon: 25%
- Vegetab
- Ketchup

Mexico

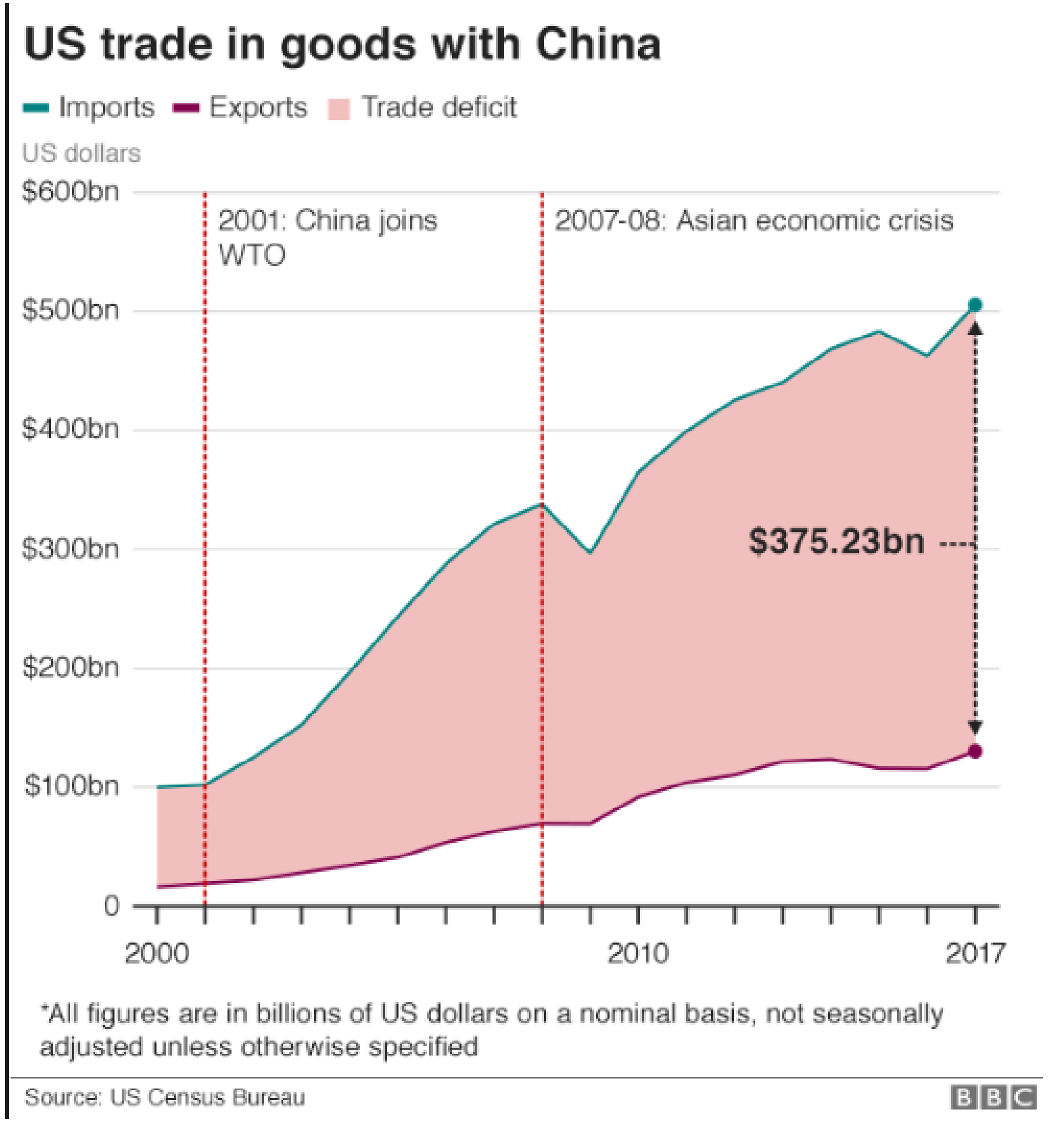
After the U.S. imposed tariffs on all steel and aluminum imports, Mexico retaliated with tariffs of its own. The taxed products seem to have been chosen strategically to target states and regions with strong ties to the Trump administration: Kentucky, where bourbon is produced, is Senate Majority Leader Mitch McConnell’s home state. The tariffs, which affect $3 billion worth of American products, went into effect on June 5.

- Apples: 20%
- Bourbon: 25%
- Cheese, fresh (including cottage cheese): 25%
- Cheese, including Parmigiano Reggiano, Edam, Fontina, Gouda, Havarti, Taleggio: 20%
- Cheese, grated or powdered: 20%
- Cranberries: 20%
- Pork (including legs, shoulders, and ham): 20%
- Potatoes: 20%

China

Over 545 different agriculture products

China is the world's largest importer of soybeans, and, for years, the U.S. was its biggest supplier. (American farmers exported 60 percent of their soybean crop to China in 2017.)



Lasting Scars

"If the trade conflict with China continues much longer, it will likely leave lasting scars on the entire agricultural sector as well as the overall U.S. economy," Amanda Countryman, an associate professor of agricultural economics at Colorado State University, wrote for the Conversation in 2018.

"Agriculture is different"

Agriculture is unlike most other key sectors of the North American economy in that its comparative advantage has rested on having access to abundant low-skilled labor instead of on the accumulation of human capital (education and skills).

A critical 1% of the puzzle

Hired farmworkers make up less than 1 percent of all U.S. wage and salary workers, but they play an essential role in U.S. agriculture.

And immigrant workers are the backbone of the hired farm labor force in the United States, filling a labor shortage estimated at 800,000 people or more nationwide in the fresh produce sector alone.

Mexico: The Middle Man

Mexico is the major supplier of hired labor to US farms, and Guatemala has become a supplier of farm labor to Mexico, thus, Mexico is in the transitional phase of being both a farm labor exporter and importer.

Both farm labor supply and demand in Mexico are key to maintaining an abundant supply of low-wage labor to US farms.

And the numbers keep falling

The average number of hired farmworkers has steadily declined over the last century, from roughly 3.4 million to just over 1 million.

And falling

USDA's Farm Labor Survey (FLS) finds that from 2002 to 2014, the size of the workforce farmers had to draw from dropped by more than a fifth, causing a major labor shortage on U.S. Farms.

Labor Issues

California farmers, anchors of a $50 billion industry that represents 13 percent of the nation's agricultural value and a critical source of its produce and milk, are facing an unprecedented squeeze on their livelihoods that could have repercussions in households from coast to coast.

Labor Shortage

Beyond a decade-in-the-making labor shortage, spurred in part by a lack of replacements for an aging work force, California's newly enacted overtime pay law and the Trump administration's tense rhetoric over immigration have ratcheted up concern among both farmers and those they rely on to work the land.

Farm workers who once crossed the Mexican border routinely for seasonal work in *el norte* now express deep fears about making the trip, effectively cutting off the supply of labor south of the border.

Twenty Percent Shortfall

Meanwhile farmers, increasingly faced with upwards of a 20 percent shortfall in field staffing, often are forced to leave lucrative crops to die on the vine or sell high-priced goods such as strawberries to jam manufacturers at a reduced rate.

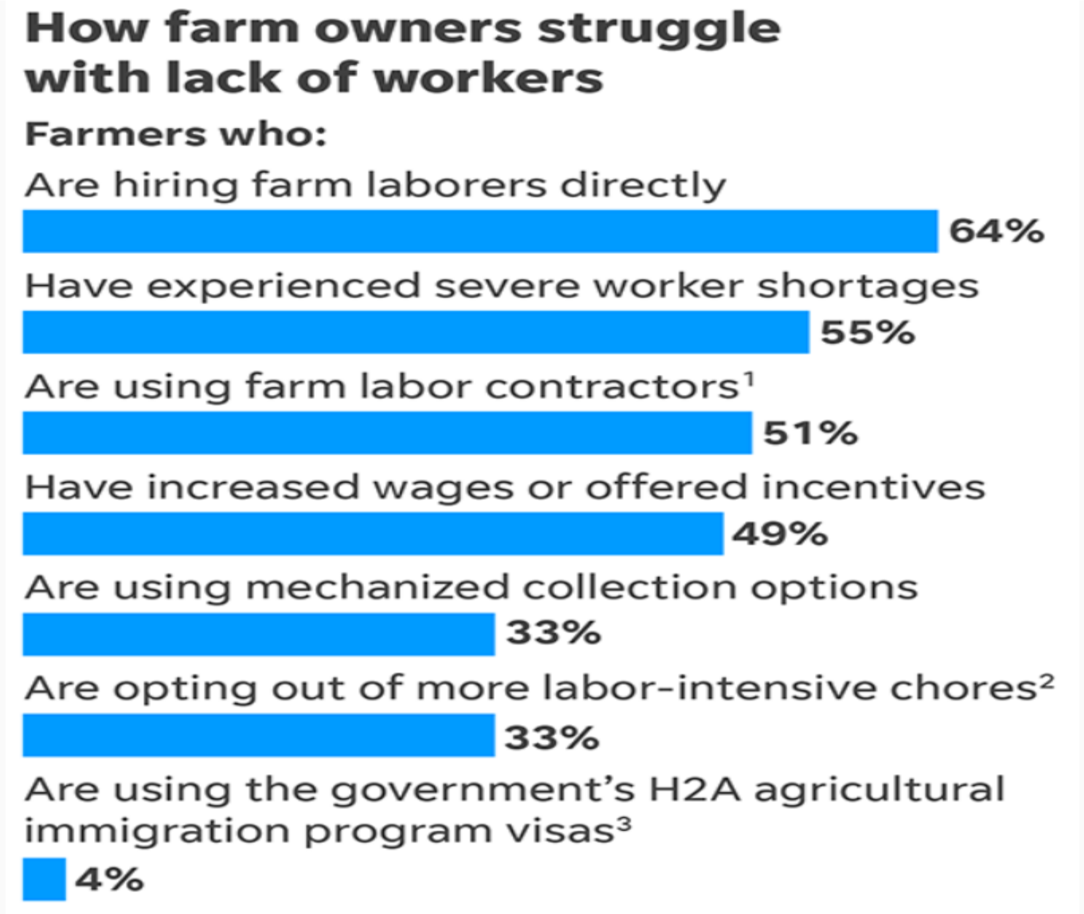
Some farms, such as Ocean Mist, are hoping to turn the financial tide by relying on robots and mechanization. Others have elected to grapple with cumbersome H-2A visa program paperwork to temporarily import an international labor force.

Looking for Other Options

The most blunt of agriculture veterans simply say that their futures may involve shifting to less labor-intensive crops, perhaps operating solely out of Mexico-based operations or possibly shuttering their businesses altogether.

“Because we have little control over market pricing, we’ll be forced to look at other options,” says Steve Maddox, managing partner of Maddox Farms in Riverside County just east of Los Angeles, which has 3,000 dairy cows. They also grow almonds and grapes.

Farm Owner Struggles



- Experts warn that any of those avenues could eventually lead to higher prices in grocery stores nationally.
- "If you want your food grown in the U.S., we need to find a way to have a legal and stable labor supply for farmers," says Bryan Little, director of employment policy for the California Farm Bureau Federation.
- The bureau's most recent survey of state farmers, conducted in 2017, showed that 55 percent of respondents said they had experienced labor shortages, and a third were delaying harvesting, eliminating crops and neglecting critical tasks such as pruning as a result.

Blue Card

On Jan. 17, Sen. Dianne Feinstein, D-Calif., and Rep. Zoe Lofgren, D-Calif., introduced the Agricultural Worker Program Act, which would grant “blue card” status to immigrants who have worked in agriculture for at least 100 days over the past two years. That card could lead to a residency permit within a few years.

Boosting Wages

In California, farmers have indeed turned to boosting wages as a way of securing a steady labor force, offering a few dollars over the minimum wage of $11.

What's more, a new state law that kicked in Jan. 1 requires farmers to pay overtime to anyone working more than 9.5 hours a day, down from 10 hours a day. In a few years, farm workers will make overtime after eight hours of work.

An Aging Workforce

Today's field and crop workers are rapidly aging, signaling even greater potential future challenges when the current generation of workers retires.

Widespread Effects

Had labor shortages not been an issue, production of labor intensive crops could have been higher by about $3.1 billion a year.

Trickle Down Effect

Given that farm revenues often trickle down to other industries in our economy, that $3.1 billion in additional farm production would have led to almost $2.8 billion in added spending on non-farm services and tens of thousands of jobs in related industries like trucking, marketing, manufacturing, transportation, and irrigation each year.

That spending would have created more than 41,000 additional non-farm jobs in our economy annually.

Man vs Machine: Crops

The ongoing labor troubles faced by farmers also present major questions about how sustainable it will be for small farmers to continue growing the most labor-intensive fruit and vegetable crops for the long term.

For many fresh fruits and vegetables mechanized harvesting is not feasible, meaning growers are dependent upon less-skilled and semi-skilled workers to pick the crop by hand.

A Delicate Touch

The situation is most acute for delicate berries and easily bruised produce, which often are not only harvested by hand, but processed that way as well.

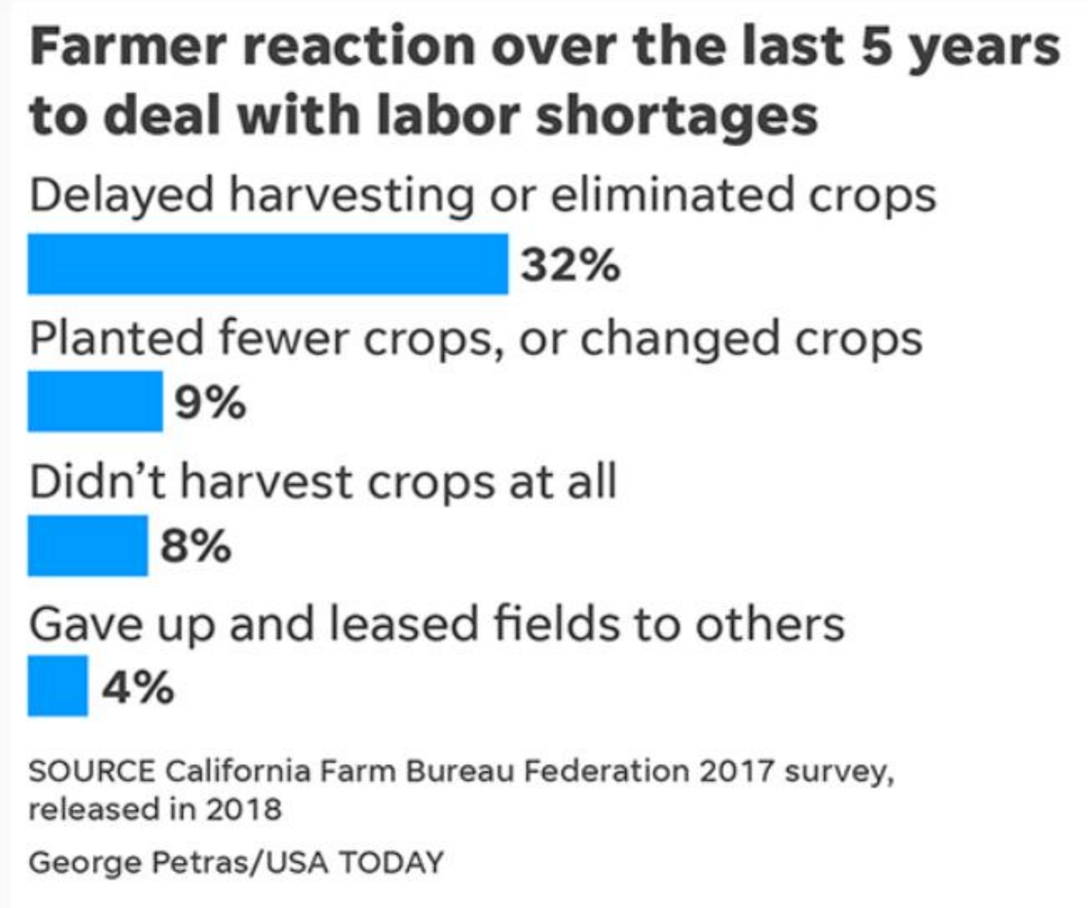
For example, the harvesting costs for strawberries, blackberries, and cherries account for about 60% to 66% of total production costs—with labor costs being the primary harvest expense.

Big Will Survive But Smaller Ones Will Not

For Ron Ratto of Ratto Brothers, a 100-year-old farming operation with 1,000 acres of land around Modesto in Northern California, labor is “the number one issue of our day.”

He predicts that some of the bigger farming operations will survive the current crisis, but smaller ones will not.

Need a Way to Fix This



Farm workers, the people who do the back-breaking cultivation work that no one else seems to want to do, are caught in the middle, crushed between market forces and heated immigration rhetoric, with no easy solution in sight.

So the next time you stop to pick up a basket of blueberries or a head of lettuce, don't take it – or its price – for granted, says Farm Bureau labor expert Little.

"The farm labor shortage is not just our problem," he says. "If you want safe and wholesome and affordable food at home, we need to find a way to fix this."

Switching Gears

Anecdotally, many farmers say they have already shifted some of their acreage to mechanically harvested commodities. These crops on average require fewer workers, generate less revenue for the community, and create fewer ancillary jobs.

Between 2002 and 2012, some 300,000 acres of farmland previously used to grow fresh fruit, vegetables, and tree nuts were taken out of production altogether."

It's not for lack of space

It's important to note that the issue preventing American growers from keeping pace with rising consumer demand is not a lack of natural resources or an inability to expand production on U.S. soil.

Acres to Spare

As much as 670,000 acres of land that once supported fresh fruits and vegetables could, in most cases, be used to grow those products once again.

It would also be possible to transfer at least some of the roughly 240 million acres planted with wheat, corn, cotton or soybeans in 2013 into land bearing fresh fruits and vegetables.

And money to gain

Land bearing fresh vegetables or melons brought in an average of more than $3,100 per acre in revenue in 2004, while the equivalent figure for land bearing food and feed grains, oilseeds, peanuts or cotton crops was $237 per acre.

Lost Opportunities = Jobs Lost & Money Lost

- Had U.S. fresh fruit and vegetable growers been able to maintain the domestic market share they held from 1998-2000, it would have resulted in an estimated $4.9 billion in additional farming income and 89,300 more jobs in 2012 alone.
- The increase in production would also have raised the U.S. Gross Domestic Product by almost $12.4 billion that year.

Rapid Decline

- For several key crops, the share of fresh fruits and vegetables grown in the United States is dropping particularly rapidly. By 2012, the following amounts were imported:
  - Tomatoes: more than 50% imported
  - Avocadoes: 69% imported
  - Strawberries: 50% imported
  - Garlic: 56% imported
  - Asparagus: 90% imported
  - Cucumbers: 62% imported

If the current downward trend of migration continues and no alternative supply (such as from a revised H-2A program or earned legalization program) becomes available, farmers will most likely continue to experience ever greater difficulties finding workers during planting and harvesting seasons.

And with the need to meet consumer demand, the US will have an ever greater dependency on other nations to grow our food.

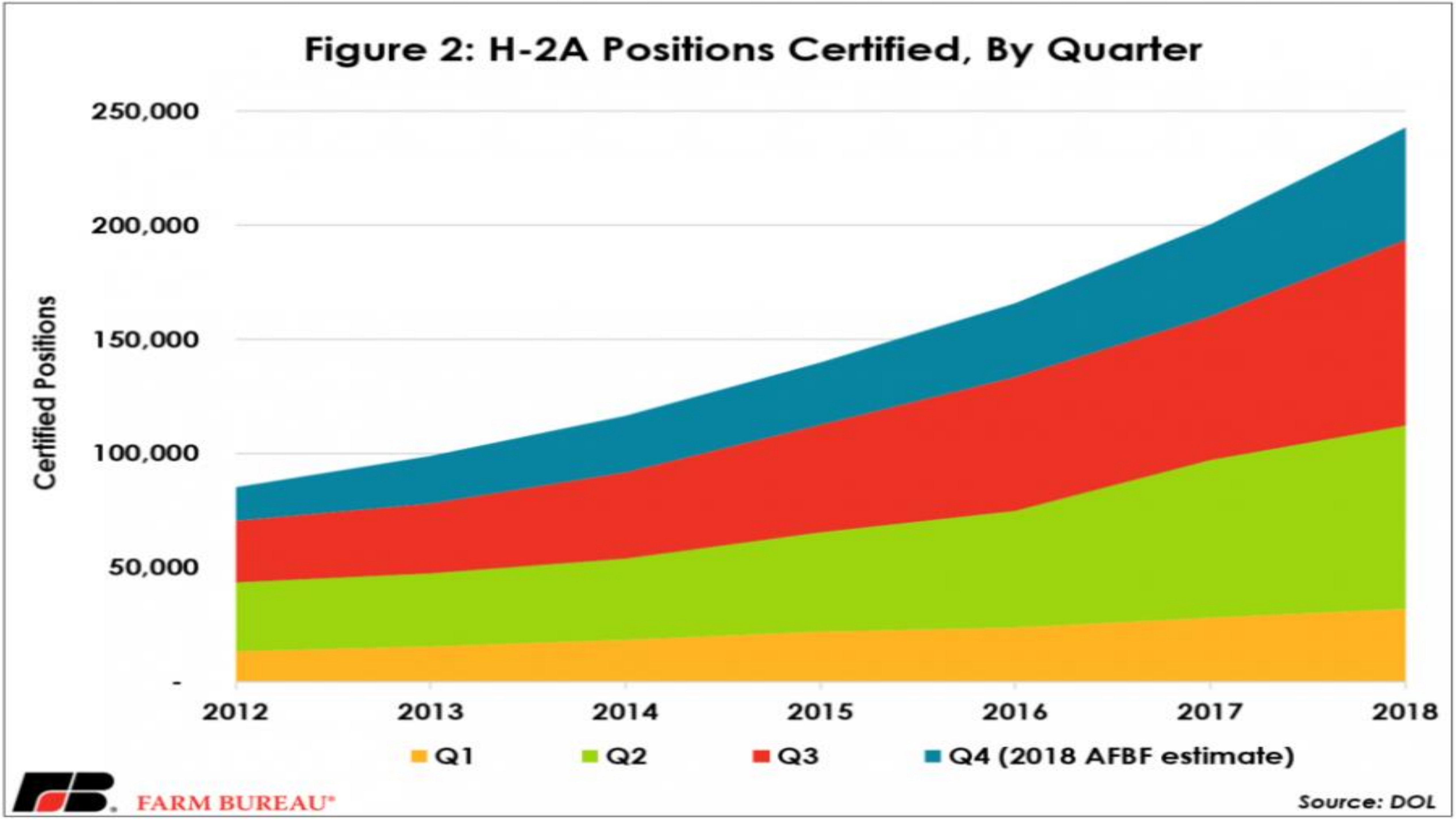


Figure 2: H-2A Positions Certified, By Quarter
250,000
200,000
150,000
100,000
50,000
-
Certified Positions
2012
2013
2014
2015
2016
2017
2018
Q1
Q2
Q3
Q4 (2018 AFBF estimate)
FARM BUREAU®
Source: DOL

New Farm Bill

There's a whole lot of good, bad and ugly in the bill, but our biggest takeaway is this: in a time of farm crisis, this farm bill will not right the ship. The future of family farm agriculture requires a dramatic shift in policy towards fair pricing, supply management programs, cracking down on corporate goliaths and accelerated attention to the climate crisis. By those standards, this farm bill fails. That said, farmers and ranchers cannot wait another day for the programs that ended when the last farm bill expired on September 30. The time is now to get them back up and running!- FarmAid

New NAFTA Changes

- **Country of origin rules:** Automobiles must have 75 percent of their components manufactured in Mexico, the US, or Canada to qualify for zero tariffs (up from 62.5 percent under NAFTA).
- **Labor provisions:** 40 to 45 percent of automobile parts have to be made by workers who earn at least $16 an hour by 2023. Mexico has also agreed to pass laws giving workers the right to union representation, extending labor protections to migrant workers, and protecting women from discrimination. The countries can also sanction one another for labor violations.
- **US farmers get more access to the Canadian dairy market:** The US got Canada to open up its dairy market to US farmers, which was a big issue for Trump.
- **Sunset clause:** The agreement adds a 16-year “sunset” clause — meaning the terms of the agreement expire, or “sunset,” after a set period of time. The deal is also subject to a review every six years, at which point the US, Mexico, and Canada can decide to extend the USMCA.
- **Intellectual property and digital trade:** The deal **extends the terms of copyright** to 70 years beyond the life of the author (up from 50). It also extends the period that a pharmaceutical drug can be protected from generic competition, and includes new provisions to deal with the digital economy, **including** prohibiting duties on things like music and e-books, and protections for internet companies so they’re not liable for content their users produce.
- **No section 232 tariff protections:** **Section 232** is a trade loophole that Trump used to impose steel and aluminum tariffs on Canada, Mexico, and the European Union. Canada and Mexico wanted protections from these tariffs as part of the NAFTA negotiations, and the fact that tariffs are still in place remains a sore subject, **particularly for Canada**. Canada and Mexico did get the US to make **a side agreement** that shields them from possible auto tariffs under 232.

Not Happy with New Deal

USA CEO Bill Bullard says the new NAFTA agreement does not allow the U.S. to reinstate country-of-origin labeling (COOL) requirements for beef. That means that multinational packers can continue sourcing cheaper cattle and beef from Canada and Mexico and sell that beef to unsuspecting American consumers as a product of the United States.

Importing Live Cattle

He said the agreement contains the same rules of origin for cattle and beef as contained in the original NAFTA, as well as in the failed TPP agreement.

"Those rules allow Mexico to import live cattle from South America, slaughter them in Mexico, and then export the resulting beef duty-free to the U.S. where it can be mislabeled as a product of the United States," Bullard said. "Even consumers abroad can receive USA labeled beef that is actually sourced from foreign cattle."

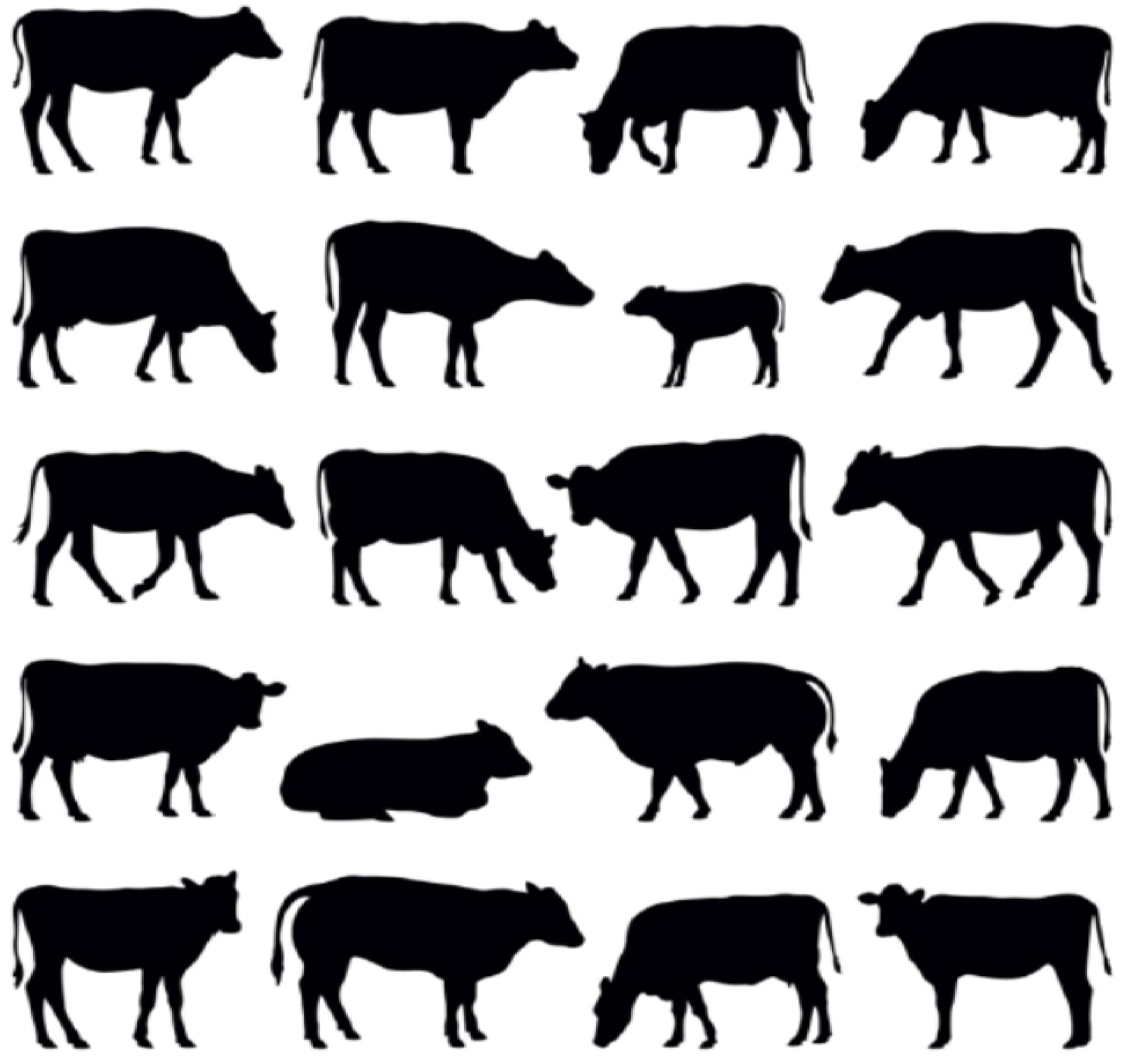
MADE IN USA

Unlimited Imports

"Every time our industry's price-point is sufficient to signal an opportunity to strengthen and grow our industry, unlimited imports of cheaper cattle and undifferentiated beef enter the U.S. market and drive that price-point downward, thus eliminating opportunities for U.S. farmers and ranchers," Bullard said.

Two Million Cattle

Since NAFTA, the U.S. has imported on average over 2 million tariff-free Mexican and Canadian cattle each year.



Produce Cattle in the US

"If we negotiated a trade agreement that allowed us to produce those cattle in America, our industry could support well over 6,000 new ranches, each with a 300-head herd size," Bullard said. "Instead, our trade agreements continue to encourage both Canada and Mexico to overproduce."

Need to Ratify

Zippy Duval- American Farm Bureau Federation

Without USMCA, our most critical markets hang in the balance. Both Canada and Mexico have already signed another deal that does not include the United States. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership replaces the TPP agreement that the U.S. agreed to but then backed out of in 2017. The CPTPP gives Canada and Mexico preferential trade terms with nine other countries and gives those countries better access to Canada's and Mexico's markets—all while the ongoing trade war hangs overhead, with tariffs hurting U.S. agricultural exports. Just this week, Japan is following through on its promises under the CPTPP and reducing its tariffs and raising its quotas for ag products from CPTPP partners. This is all the more reason why we must bring the USMCA across the finish line and secure our valuable trade partnership with our nearest neighbors.

Need to Ratify

Zippy Duval- American Farm Bureau Federation

Finally, ratifying the USMCA will show our top trading partners and other countries that the United States and the trade negotiators who represent us mean business. It would prove that our word and handshake can be trusted when we strike a deal.

Right now, it’s important for each of us to call on our lawmakers in Washington and tell them how important the USMCA is to agriculture. Farmers and ranchers are resilient, but our businesses—not to mention the jobs and rural communities that depend on us—cannot survive without our top markets. Let’s get this deal done, so we can move forward with opening and expanding more markets around the globe.

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